

MINUTES OF BOARD OF DIRECTORS MEETING
ADMINISTRATION AND FINANCE ISSUES COMMITTEE
ORANGE COUNTY WATER DISTRICT
October 13, 2016 @ 8:00 a.m.

The Administration and Finance Issues Committee Chair Director Dewane called the meeting to order in Conference Room C-2 in Fountain Valley, CA. The Assistant District Secretary reported a quorum of the Committee.

Committee Members

Shawn Dewane
Jan Flory
Roger Yoh (arrived 8:05 a.m.)
Dina Nguyen (not present)
Denis Bilodeau (arrived 8:25 a.m.)

Alternates

Steve Sheldon (not present)
Philip Anthony
Roman Reyna (not present)
Jordan Brandman
Cathy Green (arrived 8:05 a.m.)

OCWD staff

Randy Fick, CFO/Treasurer
Joel Kuperberg, General Counsel
Judy-Rae Karlsen, Assistant District Secretary
Paula Bouyounes, Stephanie Dosier, Bill Dunivin
Bonnie Howard, John Kennedy, Scott Nygren
Melissa Ochoa, Mehul Patel, Vishav Sharma

Others

Doug Brown - Stradling, Yocca, Carlson, & Rauth
Robert Porr - Fieldman Rolapp & Associates
Bryan Gruber - Lance, Soll and Lunghard
Andrew Hamilton - Mesa Water District
John Earl - Surf City Voice
Peer Swan – Irvine Ranch Water District
Debbie Cook

VISITOR PARTICIPATION

Surf City Voice representative John Earl shared his concern that agency staff meetings with Groundwater Producers are not open to members of the public. Director Anthony advised that staff meets with Groundwater Producers to discuss District operational issues. General Counsel Joel Kuperberg advised that staff meetings (with no elected officials present) do not fall under the Brown Act.

CONSENT CALENDAR

The Consent Calendar was approved upon motion by Director Anthony, seconded by Director Green and carried [4-0].

[Yes- Dewane, Flory, Anthony, Brandman /No – 0]

1. Minutes of Previous Meeting

The Minutes of the Administration/Finance Issues Committee meeting held September 15, 2016 were approved as presented.

2. Monthly Cash Control Report

Recommended by Committee for approval at October 19 Board meeting: Receive and file Summary Cash and Cash Equivalents Control Reports dated September 30, 2016.

3. Investment Portfolio Holdings Reports

Recommended by Committee for approval at October 19 Board meeting: Receive and file the Investment Portfolio Holdings Reports dated September 30, 2016.

4. Amendment No. 1 to Agreement with Aramark Uniform Services for District Uniform Services

Recommended by Committee for approval at October 19 Board meeting: Authorize issuance of Amendment No. 1 to Agreement No. 949 to Aramark Uniform Services for an amount not to exceed \$60,000 for uniform services, for the period November 1, 2016 through October 31, 2018.

5. Request for Proposals for Security Guard Services

Recommended by Committee for approval at October 19 Board meeting: 1) Authorize issuance of Request for Proposals for security officer gate services; and 2) Authorize an afterhours roving security officer cost share arrangement with OCSD utilizing their security services at an estimated annual OCWD cost of \$70,000.

6. Agreement to Lance, Soll and Lunghard LLP for Agreed-Upon Procedures in Addition to the Annual Audit

Recommended by Committee for approval at October 19 Board meeting: Authorize execution of Agreement to Lance, Soll and Lunghard, LLP for an amount not to exceed \$13,500 to provide consulting service for the Agreed Upon Procedures in addition to the annual audit.

7. Award Chemical Contracts for Water Treatment Systems

Recommended by Committee for approval at October 19 Board meeting: Authorize issuance of the following Agreements to vendors for the purchase of water treatment chemicals: 1) U.S. Peroxide, LLC dba USP Technologies for supply and delivery of hydrogen peroxide, at \$438/ton with a 3% 10 net 30 term discount, to commence on November 1, 2016, for a period of one year with the option to renew for an additional year; 2) Brenntag Pacific, Inc. for supply and delivery of citric acid, at \$820/ton with a 3% 10 net 30 term discount to commence on November 1, 2016, for a period of one year, with the option to renew for one year; 3) JCI Jones Chemicals, Inc., for supply and delivery of sodium hypochlorite, at \$0.467/gal, with a 2% 10 net 30 term discount, to commence on November 1, 2016, for a period of one year, with the option to renew for one year; 4) Univar USA, Inc. for supply and delivery of sulfuric acid, at \$128.40/ton, to commence on November 1, 2016, for a period of one year, with the option to renew for one year; and 5) Brenntag Pacific, Inc., for supply and delivery of caustic soda, at \$440/ton with a 2% 10 net 30 term discount, to commence on November 1, 2016, for a period of one year, with the option to renew for one year.

8. Children's Foundation of Orange County Gift of History Sponsorship

Recommended by Committee for approval at October 19 Board meeting: Authorize participation in the Children's Education Foundation of Orange County Gift of History program at the Advocate level with a contribution of \$15,000.

9. Agreement with Earthco Landscape for Landscape Maintenance Services at Warner Basin

Recommended by Committee for approval at October 19 Board meeting: Authorize issuance of an Agreement to Earthco Landscape for an amount not to exceed \$58,800 for landscape maintenance at Warner Lake.

Directors Green and You arrived during the following discussion.

MATTERS FOR CONSIDERATION

10. Independent Auditors Report for the Fiscal Year ended June 30, 2016

District Treasurer/Chief Financial Officer Randy Fick reported the Independent Auditors Report on the District's Comprehensive Annual Financial Report (CAFR) and Single Audit report for the fiscal year ended June 30, 2016 is ready for Committee review. He introduced Bryan Gruber from Lance, Soll and Lunghard, LLP, and advised that Mr. Gruber would present the findings of the report to the Committee.

Mr. Gruber stated the Audit Report is prepared for the Board of Directors to provide a detailed analysis of District financial management's performance, the adequacy of corporate policies, procedures, internal controls and a review of the financial reporting systems. The Independent Auditor's Report concludes that the financial statements present a fair representation of the results of operations for the year. He noted the Single Audit is a requirement of the United States government for the organizations that expends \$500,000 or more of the federal funds during the year. The purpose of the Single Audit is to provide assurance to the US Federal Government to the management and use of federal funds by the District.

Mr. Gruber responded to questions about the auditing process and reported that the District had a clean audit, there were no recommendations for management, and there was no need for improvements. The Committee reviewed the reports and then took the following action.

Upon motion by Director Flory, seconded by Director Anthony and carried [5-0], the Committee recommended that the Board at its October 19 Board meeting: Receive and file Audit Reports prepared by Lance, Soll and Lunghard, LLP for the period ended June 30, 2016.

[Yes- Dewane, Flory, Yoh, Anthony, Brandman /No – 0]

Director Bilodeau arrived during the following discussion

11. Long-Term Debt Refunding Opportunity

Mr. Fick presented Long Term Debt Refunding Opportunities and reviewed two strategies to consider in refunding the 2009A Certificates of Participation (COPs) as defined by Federal Tax laws: advance and current refunding. He introduced Doug Brown of Stradling, Yocca, Carlson, & Rauth and the Committee discussed the process, the fees and the various interest rates associated with the refunding of the 2009A COPs. Mr. Robert Poor of Fieldman, Rolapp & Associates recommended issuing the RFP to test the market for Investment Banking/Underwriting Services for the proposed advance refunding of the 2009A COPs. He reported the District has historically used Citi Group Global Markets Inc. for underwriting Services. Mr. Fick noted the District's advisors are Stradling, Yocca, Carlson, & Rauth (Bond advisor), Fieldman Rolaff & Associates (Financial advisor) and the underwriter will be announced after the RFP has been issued and bids have been received.

Irvine Ranch Water District representative Peer Swan stated there are risks in every refunding transaction, the District's ratios have fallen below AAA ratings, and the rating agencies may downgrade the District's ratings.

Upon motion by Director Anthony, seconded by Director Flory and carried [5-0], the Committee recommended that the Board at its October 19 Board meeting: 1) Authorize issuance of Request for Proposals for investment banking/underwriting services for the refunding of the 2009A Certificates of Participation; and 2) Authorize preparation of documents for future refunding of 2009A Certificates of Participation pending further action by the Board.

[Yes- Dewane, Flory, Yoh, Bilodeau, Anthony /No – 0]

12. Ratio Analysis - Fourth Quarter of FY 2015-2016

Mr. Fick presented the Ratios for Financial Analysis report for the fiscal year ended 2016 and he reviewed the six performance metrics with a four year history that provides a snapshot of the District's financial health and its ability to operate and pay annual debt service payments. Mr. Swan stated his concern that the District is monetizing the basin and Groundwater Producers want the basin refilled. The Committee discussed the District's rating agency concerns and then took the following action.

Upon motion by Director Anthony, seconded by Director Flory and carried [5-0], the Committee recommended that the Board at its October 19 Board meeting: Receive and file the Ratio Analysis Report for FY2015-16 Fourth Quarter ending June 30, 2016.

[Yes- Dewane, Flory, Yoh, Bilodeau, Anthony /No – 0]

INFORMATIONAL ITEMS

13. Employment Status Report

There was no verbal report presented on this item.

14. Monthly Cash Disbursements Report

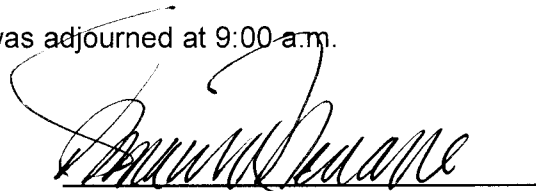
There was no verbal report presented on this item.

ITEMS TO BE AGENDIZED ON CONSENT CALENDAR AT THE OCTOBER 19 BOARD MEETING

It was agreed that Item Nos. 2-12 be agendized on the Consent Calendar at the October 19 Board meeting.

ADJOURNMENT

There being no further business, the meeting was adjourned at 9:00 a.m.


Director Shawn Dewane